

HOUSE BILL NO. 73

INTRODUCED BY R. BROWN

BY REQUEST OF THE BUSINESS AND LABOR INTERIM COMMITTEE

A BILL FOR AN ACT ENTITLED: "AN ACT REQUIRING CERTAIN ~~DEPARTMENTS DIVISIONS, BUREAUS,~~
~~UNITS, AND PROGRAMS~~ DEPARTMENTS DIVISIONS, BUREAUS, UNITS, AND PROGRAMS TO DEVELOP
AND IMPLEMENT A FULL COST ACCOUNTING PILOT PROGRAM; ~~PROVIDING FOR AN INTERIM STUDY~~
~~OF A FULL COST ACCOUNTING PILOT PROGRAM~~; AMENDING SECTION 5-5-223, MCA; AND
PROVIDING AN IMMEDIATE EFFECTIVE DATE AND A TERMINATION DATE."

BE IT ENACTED BY THE LEGISLATURE OF THE STATE OF MONTANA:

NEW SECTION. **Section 1. Short title.** [Sections 1 through 5] may be cited as the "Full Cost Accounting Act".

NEW SECTION. **Section 2. Legislative findings and declarations.** (1) The legislature finds that acknowledging the complete costs of agency programs and services enables policymakers to develop more informed decisions, identify opportunities for streamlining programs and services, facilitate cost-saving efforts, and better plan for the future.

(2) The legislature further finds that applying a full cost accounting model may result in the following benefits:

- (a) agency rates and fees for goods and services that are set correctly and fairly;
- (b) agency budget requests that are more clear and defensible; and
- (c) programs or services that may be operated more effectively or offered for less cost.

(3) The legislature further finds that full cost accounting serves different goals and audiences than traditional government accounting reports.

(4) Therefore, the legislature declares that there is a compelling public need to adopt a full cost accounting model to isolate state agency program costs.

NEW SECTION. **Section 3. Policy and purpose.** The purpose of [sections 1 through 5] is to

1 provide the legislature, the executive branch, and the public with a detailed description of individual
2 program costs to:

- 3 (1) identify cost-effective methods of providing goods and services;
- 4 (2) assist the legislature in making decisions regarding the appropriation of public revenue; and
- 5 (3) establish rates and fees that reflect the true cost of providing goods and services.

6

7 NEW SECTION. **Section 4. Definitions.** As used in [sections 1 through 5], the following
8 definitions apply:

9 ~~(1) "Agency" means an office, position, commission, committee, board, department, council,~~
10 ~~division, bureau, section, or any other entity or instrumentality of the executive branch of state~~
11 ~~government.~~

12 ~~(2)~~(1) "Committee" means the business and labor interim committee provided for in 5-5-223.

13 ~~(3) "Contractual components" means any written contracts that an agency has entered into with~~
14 ~~the private sector through which the private sector provides goods or services to the public or the agency.~~

15 ~~(4)~~(2) "Direct costs" means costs that are clearly and exclusively associated with an agency
16 program or service.

17 ~~(5)~~(3) "Executive branch" means the executive branch of state government referred to in Article
18 III, section 1, and Article VI of the Montana constitution.

19 ~~(6)~~(4) "Executive oversight" means the salary and expenses of an agency director, deputy director,
20 or advisory board or commission.

21 ~~(7)~~(5) "Full cost accounting" means a systematic approach for identifying, aggregating, and
22 reporting the actual costs of agency programs or services by accounting for all monetary resources used
23 or committed by agency programs or services.

24 ~~(8)~~(6) "Indirect costs" means costs that are not exclusively related to an agency program or
25 service and that benefit at least one other agency program or service. For the purposes of [section 5],
26 indirect costs include but are not limited to the following services:

- 27 (a) accounting and payroll;
- 28 (b) human resource;
- 29 (c) legal;
- 30 (d) purchasing and procurement;

(e) data processing;

(f) records management; and

(g) executive oversight.

~~(9)(7)~~ "Program" means any legislatively or administratively created function, project, or duty of an agency.

~~(10) "Regulatory activities" means private sector services or functions that an agency regulates and provides in-house.~~

NEW SECTION. Section 5. Full cost accounting pilot program -- duties of ~~departments~~ DIVISIONS, BUREAUS, UNITS, AND PROGRAMS -- cost factors -- reporting requirements. (1) Beginning July 1, 2001, each ~~department~~ DIVISION, BUREAU, UNIT, OR PROGRAM listed in subsection (2) shall establish a full cost accounting model to determine the total cost of providing ~~an agency program~~ SERVICES in-house, using the cost factors provided for in subsection ~~(4) (3) (4) (3)~~.

(2) The following ~~departments~~ DIVISIONS, BUREAUS, UNITS, OR PROGRAMS shall establish a full cost accounting model:

(a) ~~department of administration, including the information services division and the~~ DEPARTMENT OF ADMINISTRATION, INCLUDING THE INFORMATION SERVICES DIVISION AND THE central stores program WITHIN THE DEPARTMENT OF ADMINISTRATION WITHIN THE DEPARTMENT OF ADMINISTRATION;

(b) ~~MARKETING UNIT OF THE TRAVEL PROMOTION AND DEVELOPMENT DIVISION WITHIN THE~~ MARKETING UNIT OF THE TRAVEL PROMOTION AND DEVELOPMENT DIVISION WITHIN THE department of commerce; ~~AND~~

(c) ~~department of corrections~~ NURSERY PROGRAM OF THE FORESTRY DIVISION WITHIN THE DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION; NURSERY PROGRAM OF THE FORESTRY DIVISION WITHIN THE DEPARTMENT OF NATURAL RESOURCES AND CONSERVATION;

(D) PLAN AND SPECIFICATION REVIEW PROGRAM OF THE PUBLIC WATER SUPPLY SECTION WITHIN THE

~~— (d) WATER PROTECTION BUREAU PLAN AND SPECIFICATION REVIEW PROGRAM OF THE PUBLIC WATER SUPPLY SECTION WITHIN THE~~ department of environmental quality;

(E) CHEMICAL DEPENDENCY BUREAU WITHIN THE DEPARTMENT OF PUBLIC HEALTH AND HUMAN SERVICES;

(F) MOTOR POOL UNIT WITHIN THE DEPARTMENT OF TRANSPORTATION;

(G) STATE HAIL PROGRAM AND STATE GRAIN LABORATORY BUREAU WITHIN THE DEPARTMENT OF AGRICULTURE;

1 AND

2 (H) CAPITOL GROUNDS MAINTENANCE PROGRAM WITHIN THE DEPARTMENT OF FISH, WILDLIFE, AND PARKS.

3 —— (e) ~~CHEMICAL DEPENDENCY BUREAU WITHIN THE~~ department of public health and human services; and

4 —— (f) ~~MOTOR POOL UNIT WITHIN THE~~ department of transportation;

5 —— (G) ~~STATE HAIL PROGRAM AND STATE GRAIN LABORATORY BUREAU WITHIN THE DEPARTMENT OF AGRICULTURE;~~

6 AND

7 —— (i) ~~CAPITOL GROUNDS MAINTENANCE PROGRAM WITHIN THE DEPARTMENT OF FISH, WILDLIFE, AND PARKS.~~

8 —— (3) (a) Except as provided in subsection (3)(b), each department shall choose programs for the full
9 cost accounting model that represent at least 25% of the department's total budget as appropriated by
10 House Bill No. 2 and House Bill No. 13, Laws of 2001, apart from any specific programs or divisions listed
11 in subsections (2)(a) through (2)(f), and that represent a variety of funding sources, contractual
12 components, and regulatory activities.

13 —— (b) ~~The department of administration may not include the state fund in a full cost accounting~~
14 ~~model.~~

15 —— (3) (A) ~~EXCEPT AS PROVIDED IN SUBSECTION (3)(B), EACH DEPARTMENT SHALL CHOOSE PROGRAMS FOR THE FULL~~
16 ~~COST ACCOUNTING MODEL THAT REPRESENT AT LEAST 25% OF THE DEPARTMENT'S TOTAL BUDGET AS APPROPRIATED~~
17 ~~BY HOUSE BILL NO. 2 AND HOUSE BILL NO. 13, LAWS OF 2001, APART FROM ANY SPECIFIC PROGRAMS OR DIVISIONS~~
18 ~~LISTED IN SUBSECTIONS (2)(A) THROUGH (2)(C), AND THAT REPRESENT A VARIETY OF FUNDING SOURCES, CONTRACTUAL~~
19 ~~COMPONENTS, AND REGULATORY ACTIVITIES.~~

20 —— (B) ~~THE DEPARTMENT OF ADMINISTRATION MAY NOT INCLUDE THE STATE FUND IN A FULL COST ACCOUNTING~~
21 ~~MODEL.~~

22 (4)(3)(4)(3) The full cost accounting model must contain the following cost factors:

23 (a) direct costs, including but not limited to:

24 (i) employee wages, benefits, and pensions;

25 (ii) supplies and materials;

26 (iii) travel;

27 (iv) printing;

28 (v) rent;

29 (vi) utilities;

30 (vii) interest on capital items;

(viii) facility and equipment costs;

(ix) communications; and

(x) other costs expended for the exclusive benefit of the program; and

(b) indirect costs.

~~(5)(4)(5)(4)~~ Each ~~department~~ DIVISION, BUREAU, UNIT, OR PROGRAM ~~DEPARTMENT DIVISION, BUREAU, UNIT,~~
OR PROGRAM shall prepare AND DELIVER a ~~quarterly~~ FINAL report of its findings to the committee, THE
LEGISLATIVE FINANCE COMMITTEE, AND THE LEGISLATIVE AUDITOR NO LATER THAN SEPTEMBER 1, 2002. Each report
must contain:

(a) the true cost of providing a service or program;

(b) issues associated with implementing and administering a full cost accounting model; ~~and~~

(c) recommendations for changing the full cost accounting model to ensure the effective collection
and use of information; AND

(D) ANY RECOMMENDATION TO PRIVATIZE FUNCTIONS WITHIN THE DEPARTMENTS, WHICH MUST BE SUBMITTED
FOR REVIEW ACCORDING TO THE PROVISIONS OF TITLE 2, CHAPTER 8, PART 3.

~~(6) Each department shall prepare and deliver a final report to the committee no later than~~
~~September 1, 2002, that summarizes the department's quarterly findings and addresses any committee~~
~~questions or recommendations.~~

~~NEW SECTION. Section 6. Interim study of full cost accounting implementation and~~
~~administration. (1) (a) The legislative council shall assign the monitoring and review of the full cost~~
~~accounting pilot program provided for in [section 5] to the business and labor interim committee.~~

~~(b) The committee shall convene regular meetings to monitor and advise each department listed~~
~~in [section 5] on the effectiveness of the implementation and administration of a full cost accounting pilot~~
~~program.~~

~~(c) Following a review of the reports presented by the departments, the committee may~~
~~recommend:~~

~~(i) a transition schedule to include state agencies not taking part in a full cost accounting pilot~~
~~program; and~~

~~(ii) legislation that would, in its opinion, resolve any issues raised by the committee, other~~
~~legislators, the executive branch, and the public about the application of the full cost accounting model~~

1 ~~for all state agencies.~~

2 ~~—— (2) The committee shall prepare for submission to the 58th legislature a report of its findings and~~
3 ~~any recommendations or proposed legislation.~~

4

5 **Section 6.** Section 5-5-223, MCA, is amended to read:

6 **"5-5-223. Business and labor interim committee.** (1) The business and labor interim committee
7 has administrative rule review, program evaluation, and monitoring functions for the following executive
8 branch agencies and the entities attached to agencies for administrative purposes:

9 ~~(1)~~(a) department of agriculture;

10 ~~(2)~~(b) department of commerce;

11 ~~(3)~~(c) department of labor and industry;

12 ~~(4)~~(d) department of livestock;

13 ~~(5)~~(e) department of public service regulation; and

14 ~~(6)~~(f) office of the state auditor and insurance commissioner.

15 (2) The committee shall review the implementation and administration of the full cost accounting
16 pilot program and make recommendations for implementing a full cost accounting model for all state
17 agencies."

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19 NEW SECTION. **Section 7. Saving clause.** [This act] does not affect rights and duties that
20 matured, penalties that were incurred, or proceedings that were begun before [the effective date of this
21 act].

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23 NEW SECTION. **Section 8. Severability.** If a part of [this act] is invalid, all valid parts that are
24 severable from the invalid part remain in effect. If a part of [this act] is invalid in one or more of its
25 applications, the part remains in effect in all valid applications that are severable from the invalid
26 applications.

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28 NEW SECTION. **Section 9. Effective date.** [This act] is effective on passage and approval.

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30 NEW SECTION. **Section 10. Termination.** [This act] terminates ~~July 1, 2003~~ DECEMBER 31, 2002.

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